

GASB 34 – GENERAL

Note: The following questions and answers were formulated using ASBO International's GASB Statement No. 34 Implementation Recommendations for School Districts (hereafter, referred to as ASBO's Implementation Recommendations). OPI supports ASBO's recommendations and encourages the use of this publication for further information and guidance. Other resources are GASB Implementation Guides (see GASB website at <http://www.gasb.org/repmodel/index.html>) and the AICPA (September 2002) Audits of State and Local Governments (GASB 34 Edition).

Q: What is GASB 34?

A: GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, was approved by the Governmental Accounting Standards Board (GASB) on June 30, 1999. It establishes new requirements on what will be contained in the annual financial report in the audit. These requirements are meant to enhance financial and operational accountability in reporting by making the reports easier to understand and more useful to readers.

Q: What are the new requirements for the financial report?

A: To present fairly, in accordance with generally accepted accounting principals (GAAP), the financial reports in the audit report must contain the following minimum information:

Required Supplemental Information (RSI)

- Management's Discussion & Analysis (MD&A)

Basic Financial Statements

District-wide Financial Statements (accrual basis)

- Statement of Net Assets
- Statement of Activities

Fund Financial Statements

Governmental Funds (modified accrual basis)

- Balance Sheet
- Statement of Revenues, Expenditures and Changes in Fund Balance

Proprietary Funds (accrual basis)

- Statement of Net Assets
- Statement of Revenues, Expenses and Changes in Net Assets
- Statement of Cash Flows

Fiduciary Funds (accrual basis)

- Statement of Fiduciary Net Assets
- Statement of Changes in Fiduciary Net Assets (N/A to agency funds)

Notes to Financial Statements

Required Supplementary Information (RSI)

- Budgetary Comparison Schedules
- Notes on Budgetary Comparison Schedules
- Infrastructure assets reported using the modified approach, if any
- Pension information, if required

Q: What is RSI?

A: RSI is Required Supplemental Information.

Q: What format should be used to present the new financial statements under GASB 34?

A: OPI encourages the use of the formats provided in ASBO's Implementation Recommendations, the GASB Implementation Guides and the AICPA guide (September 2002) Audits of State and Local Governments (GASB 34).

Q: When is our district required to begin reporting financial information under GASB 34?

A: The implementation of GASB 34 will take place in phases, depending on the total revenues of the district in its first fiscal year ending after June 15, 1999:

Phase I	Total annual revenues \geq \$100 million	FY02
Phase II	Total annual revenues \geq \$10 million, but $<$ \$100 million	FY03
Phase III	Total annual revenues $<$ \$10 million	FY04

Nineteen school districts must implement in FY03 (see OPI's letter to districts dated May 6, 2002 at <http://www.opi.state.mt.us/schoolfinance/gasb34.html> for a list of FY03 implementers). Although early implementation is encouraged, most Montana school districts will be required to implement GASB 34 beginning with the FY04 report.

Q: What types of information will the auditor need from the district for this change in reporting?

A: It would be helpful if the district could provide auditors with full accrual entries for the following:

- a. Encumbrances
- b. Compensated absences (current vs. long-term debt and the policy for how it was computed)
- c. Taxes receivable collected 60 days after year end moved from deferred revenue to revenue
- d. Capital outlay
- e. Short- and long-term debt
- f. Depreciation

Q: Our district may require some help in preparing our statements under this new reporting format. Will our auditor be allowed to assist us?

A: In general, the school district is responsible for preparing the financial statements and the auditor is responsible for expressing an opinion on the fair presentation of the statements. Many auditors assist school districts in the preparation of the financial statements. However, the school district must understand the statements. OPI urges districts to conduct an exit conference with the auditor that includes the board of trustees, the district superintendent and the district clerk. OPI intends to provide districts with as much information and resources as possible to help them prepare and understand their financial statements.

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